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# **A Tale of Two Cities: Employer and Trade Union Responses to Local Government Retrenchment in Britain**

*Un Conte de Deux Villes: Les réponses d'employeurs et de syndicats à une réduction des dépenses des gouvernements locaux.*

Stephen Bach, Alexandra Stroleny

## **Abstract**

This paper examines the strategies and dilemmas faced by local employers and trade unions in Britain in responding to austerity measures. Drawing on two local authority case studies this paper extends strategic choice analysis highlighting the use of pro-austerity and anti-austerity frames by local actors to advance their strategies. We challenge the dominant interpretation of austerity as signalling the triumph of neo-liberalism in which there is no scope for the exercise of strategic choice with the assumption Conservative and Labour councils pursue similar policies of outsourcing and wage cuts. Our findings consider austerity as practice as well as ideology and indicate variable responses at local level by employers and trade unions. These differentiated outcomes underline the divergent policy responses to the economic crisis between and within countries.

*Keywords:* Austerity, Local Government, Employers, Outsourcing, Strategic Choice, Trade Unions

## **Résumé**

Cette étude analyse les stratégies et dilemmes auxquels employeurs locaux et syndicats font face en Grande Bretagne dans un contexte d'austérité. En se fondant sur deux études de cas d'autorités locales, ce travail développe l'analyse des choix stratégiques par les acteurs locaux lorsqu'il s'agit de faire avancer des arguments pro- ou anti-austérité. Nous remettons en question l'interprétation dominante de l'austérité selon laquelle elle signifierait le triomphe d'un néo-libéralisme dans lequel il n'aurait aucun espace pour l'exercice de choix stratégiques, avec des autorités locales Conservatrice ou Labour qui poursuivraient indifféremment des politiques caractérisées par la sous-traitance et les coupes de salaires. Nos résultats présentent l'austérité à la fois en tant que pratique qu'en tant qu'idéologie, et indiquent une variété de réponses au niveau local de la part des employeurs et syndicats. Ces différentes situations soulignent la divergence des réponses politiques face à la crise économique entre et à l'intérieur de différents pays.

*Mots-clés:* austérité, autorités locales, employeurs, sous-traitance, choix stratégique, syndicats.

A characteristic of all British governments' policy programmes in recent decades has been the centrality of public sector restructuring that has redrawn the boundaries of the state, encouraged marketization and altered the terrain in which trade unions organize and represent their members (Bach and Kessler, 2012). The onset of the economic crisis and the implementation of austerity measures across Europe has directed attention at how far the

crisis represents a critical juncture that is bringing about the transformation of public sector employment relations (Bach and Bordogna, 2016; Katz, 2013). Trade unions have had difficulties in challenging policies of retrenchment, despite widespread protests, and wage cuts and employment reductions have had detrimental effects for union membership (Forth and Bryson, 2015; Vaughan Whitehead, 2013). Related trends, including viewing trade unions as simply one interest group amongst many others, and the failure to effectively contest the ideology of austerity, have also been identified as a source of waning trade union membership and influence (Culpepper and Regan, 2014; Hyman, 2015).

Employers have been encouraged to view budgetary restrictions as necessitating workforce innovation and creating opportunities to transform the management of the workforce that may include partnering with trade unions (CBI, 2012; CIPD, 2012; PWC, 2014). Immediate budgetary reductions and political pressure for rapid change, however, may lead employers to fall back on familiar repertoires, centred on reduced terms and conditions of employment, limited consultation and few opportunities for trade union voice (Marchington and Kynighou, 2012; Grimshaw, 2013; Whitfield, 2012). Any challenge to public sector trade union membership and influence is important for the trade union movement, increasingly confined to the public sector. Trade union density in the public sector is 54 per cent compared to 14 per cent in the private sector, but public sector membership still declined between 2010–2014 (BIS, 2015). Austerity measures therefore raise questions about the appropriate response of organised labour and why trade unions find it so difficult to oppose effectively government retrenchment measures (Hyman, 2015).

This article examines the responses of local government employers and trade unions in a continuing period of retrenchment. This is addressed through the lens of two local government case studies and examines the scope for the application of strategic choice by local authority employers and trade unions in reshaping employment relations in a context of fiscal consolidation. The findings highlight distinctive employer approaches in the involvement of the workforce and differentiated responses by trade unions, but some similarities emerge between the cases in terms of employment reductions. The paper repositions strategic choice frameworks to develop a more dynamic understanding of the blending of choice and constraint; institutional and ideological constraints may be enabling as well as constraining because dominant ideas about the necessity of austerity measures are marshalled and framed by local actors to advance their strategies.

We challenge the dominant interpretation of austerity as signalling the triumph of neo-liberalism in which there is no scope for the exercise of strategic choice because of the emphasis on cutting public spending. Such an interpretation suggests that traditional party policy differences between Conservative and Labour councils are set aside as austerity measures lead to a low road of outsourcing and wage cuts (Blyth, 2013; Whitfield, 2012).

Our findings point to more diverse consequences, by addressing austerity as practice as well as ideology, and our cases indicate variable responses by employers and trade unions at local level. Austerity has had wide appeal in recent times (Blyth, 2013), but local actors frame austerity to pursue their own agendas and to contest specific practices. This leads to differentiated rather than standardised outcomes, resembling the divergent policy responses between countries (Bach and Bordogna, 2016).

## **1. Local government restructuring and the challenges facing trade unions**

There are 353 local authorities, often referred to as councils, in England and they are responsible for environmental services, leisure facilities, planning, social services and a diminishing number of directly managed schools. Local authorities are overseen by elected politicians and are usually controlled by one of the two dominant political parties, the Conservative or Labour Party. What is distinctive about the dynamics of local government, however, is that electoral turnout is low and the focus is on electing a political party. There is no tradition of direct elections for mayors, with the main exception of London. Councillors are part-time politicians, they are not employees of the council, and they do not hold other political office, such as being a member of parliament. The head of the council, selected by the dominant party, is termed “the leader” but would rarely be well known amongst the local electorate. Consequently council leaders do not have the level of authority of French mayors and need to work closely with their senior managers, whose job tenure is not dependent on the party in power. The dynamics of local decision making depends to a great extent on the relationship between the council leader and the chief executive with variation between local authorities. One traditional source of variation relates to local trade union pressure that have often exerted considerable influence over Labour councillors (Colling, 1993; Laffin, 1989). In a period of austerity, however, many commentators argue that these political differences are much less important as the ideology of austerity and the scale of budgetary reductions forces local government to pursue similar retrenchment strategies (Blyth, 2012; Whitfield, 2012).

Local government autonomy is constrained not only by a highly centralised system of financing but also limited devolution by central government. Local authorities are required to balance their budgets on an annual basis, but central government funding to local authorities has declined by around 37 per cent between 2010-2015 (NAO, 2015). Staffing comprises a third of local authorities’ total service costs. And local authorities employ their own staff and participate in national level pay bargaining that establishes pay and core national conditions for the local government sector. From 2010, a prolonged period of pay restraint occurred with a three year pay freeze resulting in no national pay increase for the core local government workforce, although individual local authorities have some flexibility over pay and grading.

The structure of trade unionism in the sector reflects the complexity and historical evolution of trade unionism in Britain in which no single organisational principle — industry, occupation or political ideology is dominant. A number of trade unions with open membership criteria recruit in the public sector and there are also more closed occupational trade unions, such as for teachers. Three main general trade unions — Unison, Unite and the GMB — have sizeable memberships in local government and compete to recruit predominantly non-qualified, administrative staff and some semi-professions. Local government union density has been estimated at around 40 per cent (Unite, 2013).

Trade unions confront a range of difficulties that mirror the challenges of the broader trade union movement. The implementation of austerity measures represents the latest phase of attempts to restructure public services and alter the role of the state (Burton, 2013; Whitfield, 2012). Fragmentation, commercialisation and outsourcing of services such as refuse collection has spread into administrative functions including payroll and HR. This process has been accompanied by inferior rates of pay for new starters and the undermining of labour standards (Smith Institute, 2014). Outsourcing has been extended beyond large private sector providers to include social enterprises and mutuals. Local authorities are also using shared service models and other forms of partnership working for service delivery on a more frequent basis. The growth in the number and type of employer increases the workload for trade unions in organising and representing their membership effectively. This increased diversity is illustrated by the case of Unison, in which 22% of new members in 2015-2016 that joined the local government group are employed in the private sector (Unison, 2016).

These indirect effects on union membership and organisation have been accompanied by the direct effects of austerity with a large reduction in local government employment. Between 2010-2015 employment reductions amounted to almost 22 per cent of the local government workforce in excess of 600,000 staff (ONS, 2015). Unison is illustrative of the impact on union membership with a decline in 2015-2016 of its local government membership of over 30,000, including many activists (Unison, 2016). Trade unions also confront an ageing membership and face difficulties in recruiting young workers. The number of “never members” with no experience of trade unionism is continuing to increase (Bryson and Forth, 2014). These complex challenges have added urgency to the search for strategies to reverse trade union membership and influence.

## **2. Choice and constraint in public services employment relations**

### *2.1. Employer strategy in response to local government restructuring*

Continuous restructuring and austerity measures that mimicked aspects of private sector practice has stimulated interest in the extent to which analytical frameworks used to assess

management strategy in the private sector can be applied to public services, whilst remaining sensitive to particular contexts in which they operate (Kessler and Purcell, 1996; Truss, 2013). Child (1972, 1997) is highly critical of environmental determinism and suggests that private or public sector leaders have scope to influence organisational forms in line with their own preferences. This more voluntaristic and agency centred approach is underpinned by the idea of strategic choice which recognises the dynamic tension between context and actor agency. Dominant stakeholders act purposefully, selecting strategies that take account of, but are not determined by their environmental context.

In assessing their applicability to the public sector, Laffin's (1989) study of local government is instructive because it examines management and union responses in a period of market-based reforms and a restrictive expenditure context. Laffin (1989) draws on two case studies of a Conservative authority (Conshire) and a Labour authority (Labshire) that pursued distinctive management strategies, shaped by their different political programmes. Retrenchment and outsourcing were dominant in Conshire whilst attempts to avoid outsourcing and increase efficiency by redeployment and the use of temporary staff were favoured approaches in Labshire. Nonetheless, external pressures associated with budgetary reductions made it difficult to maintain workforce cooperation even in Labshire in which trade unions were traditionally supportive of the Labour Council. Each employer exercised a degree of strategic choice in pursuing different approaches to reorganising work and staffing patterns, but there was much less commitment to altering structures of trade union representation and changing national systems of pay determination. This indicates that despite a weakening of trade unionism during the 1980s as a result of outsourcing strategies, a residual commitment to a good employer tradition did not lead to a fundamental challenge to the role of trade unions.

Kessler and Purcell (1996, 2000a) developed a more formal model of the strategic choice framework and examined its application in a range of public services. Their framework differentiated between upstream decisions on organisational strategy and structure that influence downstream decisions on human resource practice and management-union relations. Consequently, differences in upstream organisational strategy between local authorities had major consequences for downstream decisions. In the case of a radical Conservative council a commitment to encourage competition led to the establishment of numerous different semi-independent business units. But there was much less differentiation between the two local authorities in terms of pay determination and union-management relations with both authorities following established models in the sector. Employer's therefore continued to accept trade union presence and there was no frontal assault on trade unions, for example in terms of union derecognition.

These studies identify scope for managerial choice and highlight environmental constraints, but portray these constraints as detrimental to managerial action, encouraging policy makers to focus on the removal of managerial constraints (see Truss, 2009). By contrast Streeck (1997) refers to “beneficial constraints” that close off certain choices for the collective benefit of all stakeholders. For example, national pay agreements prevent poaching by individual employers and encourage national mobility and skills acquisition (Besezter et al., 2014). Constraints can therefore be enabling because actors reposition environmental constraints as resources to advance their objectives (Hrebiniak and Joyce, 1985). The application of external standards (a type of constraint) such as an employer becoming a living wage employer may be used as a resource to signal that an employer is a “good employer” and provide legitimacy for other managerial decisions and enhance recruitment and retention. Consequently, the application of constraints may open up additional choices for employers.

Strategic choices are being fashioned in a context in which an ideology of austerity and the necessity of expenditure cuts is the dominant narrative (Blyth, 2013). Strategic choice analysis requires refinement to incorporate the role of prevalent ideologies in facilitating as well as constraining local managerial responses. McCann (2013) highlights the way that actors have drawn on specific beliefs and values about the public sector to narrate a particular version of the financial crisis, to apportion blame and to propose specific solutions that require austerity measures. Policy makers use “mechanisms of hope” (Brunsson, 2006) to signal a trade-off between immediate sacrifices in return for a better future and rhetoric is deployed to help frame and gain acceptance for budgetary cuts. McCann (2013) distinguishes between pro-austerity and anti-austerity framing devices with pro-austerity assumptions portraying employment and wage cuts as essential to restore economic growth. By contrast, the anti-austerity frame identifies austerity as a means to punish public sector workers, reduce trade union influence and shrink the state. McCann (2013) focuses on policy makers but local actors may draw on pro-austerity frames to reposition external constraints as enablers of change, whilst trade unions may advance anti-austerity frames to try and limit deleterious managerial choices.

## *2.2. Trade unions: Scope for strategic choice?*

In Britain and many other countries that have experienced severe trade union membership decline there has been a major shift in policy and practice (Boxall and Haynes, 1997; Fairbrother et al., 2012). A focus on the external environment (such as the business cycle) has been augmented by consideration of how trade unions marshal their own resources and membership to reverse decline (Gall, 2010). Some caution is needed in applying strategic choice frameworks to trade unions because trade unions are secondary organisations in which union members have already been organized into distinctive groups and relationships by employers (Offe and Wiesensthal, 1985, p. 176). This does not preclude the development of

union strategy, but can be expected to influence union-employer relations and trade union member responses.

Despite these caveats, a number of strategic choices have been identified for engaging with employers and trade union members, centred on partnership and organising. They have been counter-posed as alternative strategies because their differing ideological assumptions and approaches make it difficult to blend these strategies (de Turberville, 2004; Heery, 2002; Simms, 2015). Partnership, often referred to as organisational partnership to distinguish it from higher-level tripartite social partnership, is centred on ideas of reciprocity and mutuality. There is a recognition that differences of interest exist between trade unions and employers but ultimately trade unions committed to partnership co-operate with employers. In return, trade unions are granted increased access and information from senior managers, enhanced legitimacy with employers and support to recruit trade union members (Johnstone, 2015).

Critics suggest that partnership strategies demobilise trade union members, are incompatible with more participative organising approaches, and any benefits accrue disproportionately to employers (Kelly, 2004). For other commentators outcomes are less clear cut and scope for partnership strategies exist when employers are not hostile to trade unions, when there is a commitment from top management towards partnership working, and when an employment relations strategy is pursued that emphasises labour flexibility rather than cost minimisation (Simms, 2015, p. 138). Bacon and Samuel (2009) indicate that the overwhelming proportion of formal partnership agreements have been concluded in the public sector, indicating that these preconditions may be more prevalent in the public sector.

In contrast to partnership, organising is centred on building vibrant workplace organisation with active members. Workplace leaders are developed and encouraged to mobilise around specific local issues, suggestive of a more militant orientation rather than the moderation associated with partnership. Although reference is often made to an “organising model” there are a number of distinctive approaches and techniques adopted by different trade unions (de Turberville, 2004 ; Simms et al., 2013). The evolution of organising in Britain has involved the establishment of an organising Academy, emphasis on consolidating union membership in existing organisations and sectors rather than in distant, unorganised, sectors and placing less emphasis on organising as part of a broader social movement. This has generated criticism that trade unions have been too cautious in pursuing an organising agenda that has resulted in very limited outcomes (Gall, 2010 ; Simms et al., 2015).

In summary, the restructuring of the public sector and a period of austerity have sharpened the choices that employers and trade unions confront. Strategic choice frameworks have been applied to the public sector but give insufficient attention to the scope to blend choice and



constraint. The importance of ideology and history in framing decisions has also been underplayed and these insights may be especially pertinent in a period of austerity and highly relevant for trade unions with strategic choices shaped by the values of trade union members. Employers and trade unions have scope to frame local responses, but it is uncertain if employers are seeking to enhance trade union and workforce involvement and develop forms of partnership or are seeking to confront or bypass trade unions. It is plausible that a context of severe budgetary cuts may have encouraged employers to act more unilaterally and pursue a low road strategy centred on employment and wage reductions with little opportunity for trade union voice, but such a strategy could also generate risks for employers in a sector that remains highly unionised. The extent to which the political party controlling a local authority remains important is also uncertain because budgetary constraints have led to large employment reductions across local government.

### **3. Methods**

A qualitative research approach was adopted in order to understand the process of decision making in each local authority and actor responses in a context of austerity. Case study methods are a flexible means to understand the interaction of choice and constraint in conditions of considerable uncertainty and to capture the perceptions and rationales underpinning these decisions. Both local authorities studied, termed Mid-town and Coastal, are urban councils based in the South of England, with similar levels of deprivation and expenditure cuts. The local authorities differed, however, in important respects notably in terms of size and political complexion. Mid-Town was a smaller council employing a workforce of almost 1,400 fulltime-equivalent (FTE) staff compared to Coastal's 6,700 (Figure 1) at the start of the crisis in 2008. This large difference reflected Coastal's additional responsibility for schools and social services provision. Both councils had faced substantial reductions in revenue spending power between 2011-2013 with a 13.4 per cent reduction for Mid-Town and an 8.7 per cent reduction for Coastal. Mid-Town was a Labour controlled council whilst Coastal was a Conservative administered council.

The two local authority case studies were purposefully selected because national respondents identified them as in the vanguard of refashioning employment relations. It is not suggested that they are typical of how local authorities are responding and therefore their experiences may not be generalizable to other authorities. Instead, it is the distinctiveness of the two case studies that provide their value because they have been identified by national respondents as critical cases in terms of the strategies that they have pursued. In seeking to respond to a shifting policy environment by redirecting employment relations strategy both authorities were explicit in exercising a degree of strategic choice. Consequently the interaction between choice and constraint is more identifiable and visible than in more incremental forms of change.

Fieldwork comprised semi-structured interviews with elected councillors, the leaders of each council, senior and line managers and workforce representatives. Interviews were supplemented by examination of corporate plans, minutes of council meetings and workforce data as well as analysis of local trade union branch documentation. The interview schedule covered the themes of the analytical framework : the context and drivers for organisational strategy in each local authority ; why these choices had been selected and the role of austerity measures in framing choice and constraint ; and the downstream consequences for rewards and management-union relations. Interviews typically lasted 60 minutes in length and were digitally recorded and fully transcribed.

To gain a better understanding of the specificities of organisational and HR policy choice and constraint, the case study interviews were contextualised by sectoral level interviews with national level respondents that included local authority HR directors, national employer representatives, trade union officials and local government policy makers. The sample comprised 39 interviews of which half the interviews were conducted in the case study authorities. The research was conducted after the announcement of the Comprehensive Spending Review in 2010 that unveiled large reductions in local government expenditure and was undertaken mainly during 2012-13. Contact was maintained with case study respondents presenting at seminars organised by the research team and findings were sent to key case study stakeholders. Data analysis followed the protocol recommended by Ritchie et al., (2003) and comprised reading and re-reading the transcripts enabling familiarisation with the data to identify recurring themes related to choice and constraint. From this familiarisation process broad codes were developed and refined in the light of unexpected information. Data was then charted within the framework to highlight themes and provide explanations of developments in the cases.

#### **4. Upstream decisions : Restructuring, HR and financial viability**

##### *4.1. Mid-Town*

Mid-Town is a Labour controlled city based council that departed from a traditional Labour Party policy approach (see Colling, 1993 ; Laffin 1989). A new council leadership inherited a deteriorating financial position and used a climate of austerity to frame a policy programme that required concessions from the workforce but that was accompanied by maintaining services in-house and partnering with trade unions. It combined “tough love” in establishing tight performance expectations and concerted attempts to gain workforce agreement, cemented in a collective agreement that involved local negotiations on pay and conditions. The upstream strategy involved maintaining services in-house by improving service delivery and increasing revenue generation by trading council services to other local businesses.

During 2010 the Labour Party took full control of the council from a minority Liberal Democrat administration.

The alliance between the chief executive (CEO) and the council leader (the senior elected politician) was the core relationship that developed as the consequences of the financial crisis unfolded. The Leader was a senior HR manager who shared a belief with the CEO that effective financial management was required to improve services, prevent privatisation and avoid mandatory redundancies. Mid-Town's reputation in the mid-late 2000s was of a poorly managed council, reflected in a "weak" rating from the government's auditors and rapid turnover of successive chief executives. In part, poor performance was attributed to long-serving labour councillors defending the interests of staff, preventing changes in staff management and working practices.

The strategy devised by the incoming CEO and the council leader was based on plans to improve service delivery, enhance staff performance and remodel labour–management relations towards a more collaborative approach. The council leadership's preference was to maintain services in-house to maintain control over local services, ensure savings accrued to Mid-Town rather than external providers, providing good local jobs and generating additional income for Mid-Town. A senior manager explained, "our strategy has been to win work privately so we've expanded our work-base from being wholly [Mid-Town] to other areas." This upstream strategy of internalisation and trading council services, such as environmental management, necessitated more active staff involvement alongside higher performance standards.

This approach had major implications for the traditional relationship between local politicians (referred to as councillors or members) and the managerial leadership in which local politicians were the dominant influence. Mid-Town had a legacy of long-serving members often drawn from the motor industry union movement that intervened in operational as well as strategic decisions. There was a widespread perception that council members would invariably defend the interests of staff and these interventions by councillors eroded senior management authority and prevented change. As an executive director explained:

"Part of what was agreed early on was councillor involvement in personnel procedures — disciplinaries, grievances, dismissals — went. And that was obviously a really important point to changing the previous culture which was: 'no one got dismissed, therefore managers didn't bother to try to dismiss anybody therefore discipline was quite an issue.'"

The collaboration between the chief executive and the council leader provided the opportunity to alter the role of councillors and this was framed in terms of the necessity to improve performance and safeguard services. There was some resistance amongst long-serving councillors, but the council leadership emphasised its importance in reshaping

managerial and staff behaviour in order to achieve the political programme of the Labour Party. Trade union representatives, however, viewed this change as a reduction of their influence over staff matters because the opportunity to appeal to councillors was removed. This signalled a willingness to challenge and move away from the traditional politics of Labour controlled councils.

The reduced involvement of councillors in staffing matters was accompanied by more far-reaching managerial restructuring. From 2008, the emergence of the financial crisis and the anticipated effects on public spending reinforced this approach. Approximately one in ten managers took early retirement or voluntary redundancy contributing to job losses to ensure financial viability in anticipation of national austerity measures. As one manager commented about the incoming CEO:

“It was very very ruthless, you know. We’ve never seen anything like this before. The guy means business. He’d come in and then he stood up and said: ‘within x amount of time we want the staffing below 1,000’ — it was like 1,500 — he changed the whole ethos.”

The stated objective of the council leadership at Mid-Town, however, was to reverse longstanding poor financial and service performance, but it was framed as a strategy designed to safeguard the employment prospects of a smaller workforce. Job reductions were in part legitimised by reference to weak past performance and were presented as part of a process of corporate transformation. As the CEO explained:

“You do need some burning platform which is going to shift people a bit so the fact that we had an early financial challenge did help us.”

An extensive organisational development remit focused on changing managerial behaviour and equipping them with the skills to “build a world-class city for everyone”, putting pressure on managers to improve staff performance. These measures were viewed as pre conditions to achieving what the leadership termed “council 2012”. This set an ambition to reduce expenditure by 20 per cent whilst achieving improvement in service outcomes by 20 per cent to respond to budgetary cuts and to ensure competitive in-house services. All services were systematically reviewed and reorganised. The waste service was a priority, because it was the largest service and had always been provided in-house, but service standards were low. The council leadership’s preference was to maintain the service in-house to support its trading and income generation strategy, but this commitment was conditional on achieving quality and cost targets. In contrast to some Labour councils in the past, there was no explicit preference for the provision of in-house services stemming from antipathy towards outsourcing. Staff had 12 months to address productivity issues or face market testing and the prospect of being outsourced. Workforce representatives were sceptical of the Council’s support for an in-house service as a trade union representative explained:

“I honestly believed they wanted a private company to come in and do the refuse to start with but as the fundamental service review went on and ideas came out — a lot of the ideas came from the blokes.”

It was a willingness to draw on the workforce’s knowledge to redesign service delivery that helped convince the workforce that senior managers were giving serious consideration to in-house service provision, if cost reductions and improved service standards were achieved. Each refuse crew was involved in examining their rounds and the work flow of the system. There were major changes in work organisation and many of the existing pay allowances were removed and the numbers of staff on each refuse truck reduced from four to three. There were no redundancies, however, because reorganisation involved the removal of agency staff, retirements and redeployment. A productivity agreement with the trade union Unite, committed the workforce to achieve absence levels of less than ten days per annum. In return, the council leadership agreed to maintain the service in-house for seven years with the possibility of an extension for a further seven years as long as service levels and absence targets were achieved.

A harder edged-managerial approach of “tough love” is therefore not confined to Conservative councils that have often been identified as the most enthusiastic proponents of job reductions and outsourcing (Ascher 1987; Colling, 1993). Mid-Town framed their strategy initially as in response to financial and performance challenges. The onset of the financial crisis and austerity measures generated a pro-austerity narrative that facilitated the council leadership in reducing jobs and terms and conditions, but this was combined with “mechanisms of hope” (Brunsson, 2006) that signalled a willingness to maintain services in-house if performance requirements were achieved and to reward the workforce if performance standards were achieved (see below). This strategy accounts for job reductions at Labour controlled Mid-Town in 2008-2010 that were proportionately larger than at Coastal, a Conservative council, committed to a leaner council workforce (Figure 1).

**Figure 1. Employment reductions in Urban and Coastal 2008 – 2012\***

Full-time Equivalent						Annual % change				% change overall
	2008	2009	2010	2011	2012	2008-2009	2009-2010	2010-2011	2011-2012	
<b>Mid-Town</b>	1,377	1,218	1,126	1,105	1,144	-11.5	-7.6	-1.9	3.5	-16.9
<b>Coastal</b>	6,701	6,381	6,237	5,481	4,990	-4.8	-2.3	-12.1	-9.0	-25.5

\*Annual averages, Source: Local Government Association Analysis and Research, ONS Quarterly Public Sector Employment Survey. Available at: [http://www.local.gov.uk/web/guest/local-government-intelligence/-/journal\\_content/56/10171/2991184/ARTICLE-TEMPLATE](http://www.local.gov.uk/web/guest/local-government-intelligence/-/journal_content/56/10171/2991184/ARTICLE-TEMPLATE) ; accessed 26/8/2014

#### 4.2. *Coastal*

Coastal is an urban authority responsible for delivering a wider set of services than Mid-town which included oversight of schools and the provision of social services. During 2008 a Conservative administration was elected and like Mid-Town it framed its strategy in relation to a context of austerity, building on a legacy of outsourced services. Budgetary reductions with cost reductions of around 25 per cent planned over three years reinforced the need to generate substantial savings and outsourcing was an important component of this approach. Trade union opposition to the council's leadership enabled anti-austerity frames to take hold with prolonged strike action. In contrast to Mid-town the council leadership struggled to use pro-austerity frames to legitimate their approach. This was despite an explicit strategy to becoming a commissioning council in which Coastal would purchase and monitor services from a range of providers but not necessarily deliver them in-house:

“the task is to meet the needs of our customers in different ways, through different approaches....we want to bring services together with other councils and public bodies as well as commission services through the private and voluntary sector to reduce costs and improve service standards.”

Outsourcing was an important element of this strategy to strengthen the customer focus and downgrade the importance of in-house service delivery, but the approach was more nuanced than opponents acknowledged. As the council leader explained:

“The public sector is dominated by unions and left-wing activists and the rest. Public services to me are providing services to the public and who cares if this is the city council [that] empties your bin? Now we didn't outsource bins [refuse] because it did a good job...so my philosophy was always: improving the service, or a saving or preferably both — but it wasn't just outsourcing for outsourcing's sake.”

Coastal had already agreed a ten year contract with a major private services provider that covered four main areas of activity with 600 Coastal staff transferred during 2007-08. The services outsourced included customer services, IT, property, revenue and benefits, HR, payroll and procurement services. It would have been very costly and difficult to alter this outsourcing approach and bring services back in-house. The Conservative administration aimed to use the contract to generate savings and provide a one-stop-shop for council services. It also, however, strained employment relations in part because the new service provider required all employees to re-authorise their trade union deductions after transfer, leading to a loss of union membership.

Two aspects of the strategy to move towards a commissioning authority generated downstream implementation difficulties and enabled anti-austerity frames to gain support amongst the workforce. This process stemmed from the externalisation of HR services and resulted in an acrimonious relationship with the external provider. The poor working

relationships between the external HR provider and the in-house client side was exemplified by HR staff that transferred to the external provider being viewed as “defectors”. Very little internal HR expertise remained within Coastal and employment relations activity was not managed by HR specialists. This had major consequences for management-union relations as an opposition councillor noted:

“The mistake the council made was that not only did we get rid of human resources but we had no human resources client side team except for a nominal head of human resources who in fact is a lawyer... he’s effectively got no background in HR, no background in dealing with trade unions.”

This gap was filled by a Conservative council leader that behaved more like an elected mayor, taking more direct control of the management of the Council. This was attributed to the leader’s political ambitions. He outlined the relationship with the CEO in which the leader was very much in charge:

“His job [the CEO] is to do what the administration tell him to do... he had to work with me, didn’t he? He couldn’t not, otherwise, his position with me would be untenable and as I’ve said to him, just so we know how this works, ‘if I can’t work with you and I have been elected, which one of us would have to leave?’ and that was the only time I put it to him, and of course he said to me, ‘So that would be me then wouldn’t it’. And that’s the way it is in democracy isn’t it?”

One consequence of this political and managerial style was that negotiations between the council and the workforce were led by the leader rather than the chief executive. This contributed to the difficult atmosphere because there were polarised political differences between the Conservative leadership and the trade union representatives, which would have been less prominent if the negotiations had been led by politically unaligned managers.

Consequently an upstream strategic decision to move towards a commissioning council model and outsource HR, “hollowed out” HR expertise and placed constraints on Coastal’s ability to deliver its change strategy and to use pro-austerity frames to justify wage cuts and outsourcing. The political leader was highly interventionist in operational as well as strategic matters and was accused by critics of acting like an elected mayor, generating tensions with the chief executive and trade unions. Moreover this management strategy provided opportunities for trade unions to frame austerity measures as a local, ideologically motivated, programme rather than as part of a national agenda of retrenchment.

## **5. Downstream decisions: Management-union relations and reward management**

### *5.1. Mid-Town*

Mid-Town’s upstream strategy of service improvement, trading and enhanced performance, drawing on a climate of austerity to pursue this agenda, necessitated repositioning of

management-union relations to ensure workforce support. This was in a context in which Unison and Unite had a combined trade union membership of almost 45 per cent of the workforce, but this membership was viewed by trade union representatives as passive and hard to engage. Senior manager's aim was to ensure constructive relations with trade unions, but this was part of a dual approach in which trade union involvement sat alongside direct and frequent communication with the workforce.

Symbolic of managerial efforts to redirect management-union relations towards partnership working was the replacement of the Joint Consultative Committee (JCC), the forum for trade union-employer discussions. It was replaced by the Partnership Working Group (PWG) with the agreement, but limited enthusiasm, of trade union representatives. The PWG met quarterly rather than every six weeks and the agenda was focused more on specific strategic issues, replacing as the HR director described it "HR bashing". Regular attendance by the CEO indicated that it was an important forum for information sharing and to some extent consultation, albeit very much on a managerially directed agenda. Despite misgivings, Unite and Unison, were supportive of Mid-Town's strategy and only occasionally contested managerial actions. As a Unison representative stated:

"We do have a very good working relationship and I've been involved in trade unions now for 25 years — and it's the first time [Mid-Town] has had this type of relationship with management... it's more transparent — and we do talk about everything."

Trade union representatives also noted that the council had become a Living Wage employer (i.e. paying a higher minimum wage than the statutory minimum wage). External assessment by Investors in People (IIP) also reported that Mid-Town: "values its people extremely highly, and values learning and development similarly highly". Trade union willingness to acquiesce in partnership working partly reflected confidence in the managerial leadership of the Council, but also recognition of the limited influence that trade unions could exert in shaping managerial practice. This was attributed by union representatives to the fear of job losses, depletion of the pool of long-term trade union activists through restructuring, and a degree of fatalism amongst the workforce in a climate of austerity.

As budgetary cuts deepened, trade unions confronted a more severe challenge and the CEO used pro-austerity frames to gain acceptance for his strategy:

"We went to the trade unions and said ... 'It looks like lots of job losses, you know, maybe 10% of people go down the road... if you are willing to forgo [a pay increase], so no-one's pay would go down, but no-one would get the increases they are expecting and in exchange we would do a couple of things. One, we will try to minimise redundancies as much as possible... we will use natural wastage and spend more on training and retraining people and as much as we can avoid compulsory redundancies.'"



Mid-Town's leadership had a strong preference for achieving a negotiated local collective agreement because it would reinforce productive relations with the trade unions and ensure legitimacy for their strategy. By contrast imposition of their plans would have released trade unions from any obligation to support management and risked the workforce framing the pay deal as detrimental to their interests and requiring them to absorb the consequences of austerity measures.

A local collective pay agreement (2011-13) proposed opting out of national pay determination and the on-going national pay freeze, the suspension of increments for two years and reductions in some allowances in exchange for assurances on maintaining jobs. It also proposed the establishment of a "partnership payment" bonus, linked to satisfactory individual performance appraisal outcomes and attendance as well as Mid-Town achieving its efficiency target. The council leadership indicated that they were very reluctant to impose change unilaterally and made concerted efforts to gain support for the deal, but were uncertain if it would be accepted because of its focus on individual performance.

The workforce was uncertain about the likelihood of the partnership payment materialising. As a Unite representative noted, "the jury was out at the time whether it would or wouldn't be paid", but separate Unite and Unison ballots endorsed the collective agreement. Over 90 per cent of staff met the appraisal and attendance criteria and received a one off payment of £416. The partnership payment and associated local collective agreement signalled a clear shift from progression based on time-served to an emphasis on individual performance and attendance. One senior manager commented that it was a "softly, softly" approach:

"They weren't high barriers to jump over — it's a means of showing that performance and attendance are relevant to the overall performance of the council."

Trade union representatives were ambivalent about the partnership agreement because they acknowledged it enhanced managerial control over individual performance and involved the effective removal of incremental progression; very substantial trade union concessions. The recommendation, however, to accept the deal was influenced by a substantial number of staff having no further scope for incremental progression and the influence on union members' of an extended national pay freeze as part of national austerity measures. Consequently, there was no membership appetite to contest management proposals, members were broadly supportive of the overall management strategy and were frightened of losing their jobs. A Unison representative noted the impact of pro-austerity frames, "the cuts have had a massive effect. It's just so much apathy" but also acknowledged that unlike other authorities mandatory redundancies had been avoided, "That's gone down very well with our members".

Recognition that austerity budgetary cuts would continue for many years encouraged consideration of the successor collective agreement. During early 2013 staff were invited to a

series of road shows with presentations from the CEO, HR director and Unison/Unite and this was backed up by a guide for staff *New pay deal for all* that was endorsed and signed by all parties to highlight partnership working. The guide outlined the rationale for the new deal, not least the fact that a third of its government grant had been cut between 2010-2013, highlighted efficiency savings made to date and emphasised the Council's unity of purpose:

“Where some other organisations are looking to redundancies as a way of dealing with pressures on their budgets, [Mid-Town] is sticking to its principles and working with trade unions to manage its way through these difficult times.”

The proposals extended and refined the partnership payment philosophy. Both unions endorsed the agreement and Unison, actively campaigned for a yes vote suggesting that the council *might* discontinue the partnership payment and remove weekend enhancements and overtime rates if the deal was rejected. The outcome was overwhelming support for the new agreement. Although turn out is not stated, amongst Unison members 93% voted for the proposals and 7% against. Amongst Unite members over 80% voted in favour of the agreement.

The main components of the 5 year agreement (2013-2018) were approved by the full council in April 2013. The agreement ensured that the link with national bargaining was ended. Instead an annual 1.5% cost-of living pay increase is paid to all staff and the partnership payment system was continued but within a revamped appraisal system. The agreement also stated that on the basis that Unite/Unison comply with the agreement “during the currency of this Agreement there shall be no compulsory job losses to front line staff” (para 16.1) provided that the material circumstances of the council do not alter (e.g. further significant cuts in government funding).

## 5.2. Coastal

In comparison to Mid-Town, Coastal's leadership were unable to gain trade union support for its strategy. Trade union density was close to 50 per cent with strongholds of union membership in services that had not been outsourced, such as refuse collection. In addition both the Unite and Unison convenors were on their national union executives that facilitated access to national trade union resources and opportunities to develop anti-austerity frames amongst the workforce. The council leadership's decision to review paid time off for trade union activities during a period of rapid change was considered provocative and reinforced attempts by trade unions to portray the Council's strategy as ideologically motivated, despite being presented as a financial decision. A council motion stated:

“The Council recognises that in these tough financial times, local authorities need to make difficult decisions about spending priorities and therefore supports the Executive in reviewing

the merits of fulltime union officials funded by the taxpayer and the provision of office facilities to trade unions.”

In response to budgetary reductions, Coastal’s leadership proposed a 5 per cent pay cut for all staff, no pay increments for two years (2011-2013) and every member of staff was to move back one pay increment. Sick pay and a variety of allowances were to be cut or removed. The aim was to reduce the wagebill, but it was also intended to signal that employment in Coastal, even on worse terms and conditions, remained highly attractive. As the council leader explained:

“If we cut their pay, however modest...it was to do two things: one was the spoken and that was to protect jobs and save money, the second which was not spoken but in the end I suppose was after 6 months was that...you’re better [off] on two pounds a week less in this place than you are on £65 per week job seekers allowance out there.”

These proposals were outlined in an already difficult employment relations climate that was attributed to an unwillingness of the council’s management to use established channels of consultation and plans to reduce trade union facilities. The upstream strategy of externalisation generated further employment relations difficulties because, as a Unite representative argued, “as far as we saw it there was a politically driven strategy of outsourcing and privatisation of services”. The trade unions, however, utilised Coastal’s policy programme to develop an anti-austerity frame. They used attacks on the council leader, to portray the administration’s policies as ideologically driven with detrimental consequences for the workforce, limiting the council’s ability to portray wage cuts as a necessary response to government budgetary reductions.

Such an approach was made more straightforward because negotiations between Coastal and the workforce were led by the council leader who adopted a high public profile.

Negotiations generated some employer concessions in terms of protection for the lowest paid and the removal of plans to stop paying staff for the first three days of sickness absence. The final employer offer included the removal of increments for two years and pay cuts of between 2 and 5.5 per cent (depending on annual income), but included a £250 increase to those earning less than £21,000 per year. Voluntary redundancy payments were enhanced and there was a guarantee of no further compulsory redundancies below senior manager grade. Crucially, however, the package endorsed by the full council included the recommendation that:

“Approves the dismissal and re-engagement of staff in order to implement the changes in terms and conditions in the event that a collective agreement cannot be reached with the unions.”

Unite and Unison faced a series of dilemmas in responding to these proposals. There was a recognition that the dispute and threat of pay cuts had national implications because of

concerns that other councils would emulate Coastal's example, but the dispute was a local dispute reliant on local membership support. A second dilemma related to uncertainty about the extent to which trade union members would be prepared to take industrial action in a national climate in which the necessity of austerity measures was constantly emphasised. Accommodating pay reductions was therefore considered, as a Unite representative explained:

"It wasn't something that we discounted out of hand... so we could see the incentive of doing that if there was a guarantee [on jobs]. And also that we wanted to look at some time-limited effect of their pay cuts, so at some point in the future we wanted the pay to be restored. On both counts they refused to give any guarantees and these cuts were permanent."

A third dilemma related to the contradictory effects of industrial action. The Council faced local elections and the trade unions were campaigning for the Labour Party with an expectation that an incoming administration would soften some of the pay cuts. Extended and high-profile industrial action might generate short-term concessions, but could damage support for the Labour Party because of its link to the trade unions, jeopardising longer-term outcomes favourable to the workforce. The upshot was protracted negotiations with the Council leadership, but a failure to resolve the dispute shifted the trade unions towards a three-pronged union strategy: selective strike action, a legal challenge related to alleged failure to provide the statutory consultation period for dismissals, and a political campaign to mobilise voters in local elections to remove the Conservative administration. The trade unions' strategy took account of but did not resolve fully the dilemmas they confronted. In particular in a national context in which pro-austerity frames were dominant, exemplified by employment reductions and a national pay freeze, and with limited alternative employment prospects, there was considerable uncertainty if union members would support industrial action that aimed to mobilise anti-austerity assumptions and arguments.

Ballots for strike action resulted in a small majority, just over 50 per cent, for strike action on a low membership turn-out. This was not a convincing mandate and trade union responses therefore concentrated on selective high-profile rolling industrial action by the most organised groups that would put the most pressure on the council. Unite and Unison tried to convert weakness into strength by not relying on the whole union membership to take strike action and ensuring that workers received strike pay to maintain their commitment to strike action. Action short of a strike included an overtime ban, working to contract, and a refusal by staff such as social workers to use their cars for council business. Selective strike action

by parking attendants hit council revenue but did not stop the provision of council services to residents. A Unite representative explained:

“we decided rather than have everyone out for one day, which has pretty much no effect anyway, just saves the council a lot of money and wages and everyone goes back to work next day and catches up. We wanted to select high profile and income generating services and take those people out for long periods of time. And we paid them their full pay once they were out.”

A second strand of trade union strategy related to legal action to delay and subsequently seek compensation for the imposition of new terms and conditions of employment. Coastal used section 188 notices to dismiss and re-engage staff, requiring a 90 day period of statutory consultation. Trade unions argued that these requirements had not been followed and pursued an employment tribunal case. If Coastal had lost the employment tribunal they faced the prospect of a large compensation bill for all employees that were dismissed and re-engaged in summer 2011.

A third strand of trade union strategy involved a political campaign working with Coastal's Labour group, to remove the Conservative administration in upcoming local elections. As a union official explained:

“Council workers have this sort of unique opportunity to sack their boss every now and again. And obviously we knew the local elections were coming up and the number of, the Tory majority wasn't particularly large, so we knew that there was a very good chance that they could lose power.”

This involved extensive leafleting explaining the reasons for the on-going dispute and criticising the Conservative administration using an anti-austerity frame to portray the leadership's response as ideologically driven. In subsequent local elections, a Labour administration was formed within Coastal and pledged a phased reversal of pay cuts.

## **6. Discussion**

The extent to which public service employers are able to develop a strategic approach has been a long-standing preoccupation of employment relations analysis and this debate has been reignited in a period of austerity and extended to incorporate analysis of trade union strategy. Since the 1980s and 1990s when strategic choice approaches were first applied to public services (Kessler and Purcell, 2000ab), public service restructuring has continued apace. These trends have been intensified by the global financial crisis and subsequent austerity measures with deep cuts in local government funding. In this altered context there

has been considerable uncertainty about the scope for organisational level choice and the form that any such choices would take.

It is important to recognise the limitations of drawing on two case studies in England that may not be generalisable to other settings. The value of these cases resides in their distinctiveness as identified by sector actors and the extent that they bring into sharp relief the application of strategic choice frameworks. The two case studies indicated distinctive strategies in responding to restructuring and austerity measures that belies the emphasis in many accounts of neo-liberal convergence towards similar policies of marketization and privatization. Mid-Town's approach reflected a historical legacy in which in-house services had always prevailed and councillors intervened in staff management, but this legacy was redirected into a proactive strategy of service improvement and income generation to safeguard employment in the longer term. This approach was facilitated by the alignment of the political and managerial leadership and the development of a carefully calibrated labour–management and reward strategy. Trade unions had misgivings about the downgrading of councillor involvement, the proposed local collective agreement and a tougher managerial stance, but in a context of a national pay freeze and the dominance of pro-austerity frames, trade unions acquiesced in this strategy and developed co-operative relations with the council leadership. The establishment of the partnership payment compensated staff that had not received a national pay increase but also enhanced performance management.

Coastal's leadership inherited a large outsourcing deal and more emphasis was placed on an externalisation strategy as part of a shift to become a commissioning authority that procured but did not provide services. The council leadership placed less emphasis on gaining trade union support for its approach and there was limited incentive to pursue partnership approaches with a workforce that included many outsourced services. Coastal's leadership, after a protracted dispute, imposed wage cuts and employment reductions as a contribution to budgetary reductions. Trade unions faced limited support for prolonged strike action, but used selective strikes amongst the most organised workers and utilised anti–austerity frames. They portrayed the council leadership as pursuing an ideological, privatisation orientated approach, that contributed to pay cuts and which unfairly placed the burden of adjustment on the workforce.

An important question relates to how much austerity measures represent a critical juncture for public sector employment relations in which the “shock” of austerity measures has a transformative effect on existing employment relations practice (Vaughan Whitehead, 2013). The effects of budgetary constraints and an era of austerity are clearly visible with similarities between the case studies in terms of large reductions in employment between 2008-2012 (Figure 1). Nonetheless, each authority responded to budgetary restrictions in a distinctive way that was influenced by the specific legacy of in-house provision and political party

traditions, but these legacies did not pre-determine the policies and practices pursued. In the case of Mid-Town services had always been provided in-house, but a weak financial and managerial legacy reinforced by budgetary cuts proved a springboard for a unified managerial and political leadership to redirect this legacy towards a more ambitious trading model and the recalibration of management union relations. In Coastal there was a legacy of outsourcing and a new political leadership sought to extend outsourcing into a more encompassing form of commissioning authority in response to budgetary cuts. Despite decades of public sector restructuring, these findings suggest that employers have used the austerity crisis to build on this legacy, departing further from pre-existing practice in local government.

This article has also extended and recalibrated strategic choice frameworks to develop a more dynamic understanding of the blending of choice and constraint. In contrast to earlier studies that separate choice at organisational level from constraint at national level this article has emphasised the blending of choice and constraint that connects national and local level developments. In analysing strategic choice institutional constraints and ideological narratives have been reframed as resources by local actors. The existence of a three year national pay freeze was a constraint but it was also an enabler and facilitator of local choice, most evidently in Mid-Town's opting out of national pay determination and the development of a partnership payment. By contrast, in Coastal the choice to outsource HR established local constraints on HR capacity and involvement that inhibited their ability to negotiate effectively with the workforce.

This article has also highlighted the importance of pro- and anti-austerity frames that have been marshalled by local actors in framing their strategic choices. Although austerity measures are widely conceived as associated with a neo-liberal ideology that favours market-based governance (Blyth, 2013; Grimshaw, 2013) there has been little attempt to understand how ideology enables or constraints employer choice. This article has focused on austerity as it relates to practice that draws on austerity as ideology, but recognises the scope for differentiated strategies. In Mid-Town the council leadership used pro-austerity frames sparingly but effectively to present workforce adjustments as necessary and inevitable and linked to government budgetary cuts that resulted in job losses and a pay freeze. At the same time "narratives of hope" (Brunsson, 2006) were employed to indicate a better future that was reinforced by the partnership payment, subsequent pay settlements that exceeded national settlements and support for the living wage, signalling an ambition to remain a good employer. By contrast in Coastal austerity measures were attributed as much to the council leadership rather than stemming primarily from government policy, enabling anti-austerity frames to gain ground. Local trade unions were effective at portraying the council leadership as ideologically committed to shrinking the local state and punishing the workforce. The

imposition of pay cuts, the dismissal and re-engagement of the workforce and limited attempts to resolve strike action reinforced the credibility of these anti-austerity frames.

In contrast to previous studies of strategic choice that identified limited variation in downstream decision making, this article has emphasised the extent to which strategic choice affects not only upstream decisions relating to organisational strategy, but also downstream decisions of management-union relations and rewards. Although there are some continuities with the past in terms of the maintenance of systems of national pay determination (Colling, 1993; Kessler, 2000) our results indicate increased experimentation in altering terms and conditions on a local basis and shifts in union-management relations towards partnership or unilateralism. Local variations in core national conditions, such as reductions in sick pay or annual level, have been reported by many local authorities (IDS, 2013) indicating a recalibration of the balance between national and local decision and an undermining of the regulatory influence of the local government national agreement, enhancing the scope for local strategic choice.

Finally, we have engaged with the extension of strategic choice frameworks to trade unions, exemplified by the analysis of organising and partnership strategies. This was not the main focus of the article and we have concentrated on trade union policy and practice at organisational level. Our findings are equivocal about how far trade unions are adopting a strategic response to public sector restructuring and austerity measures; trade unions remain secondary organisations with responses conditioned by the approaches of their employer. This is not to suggest that trade unions have no scope for choice as the decision to accommodate or confront management in the two cases illustrates, but this process is better characterised as strategic incrementalism (Fairbrother, 2010: 207) reflecting trade unions adaptive response to employer proposals in a very challenging fiscal climate.

To conclude, this article has contributed to debate about contemporary employment relations in public services by reframing the interaction of choice and constraint and providing organisational level evidence on how employers are responding to budgetary reductions. Constraints can be enabling for employers and these constraints extend beyond much discussed frameworks such as national pay determination to include ideologies of austerity that are marshalled by local actors to advance their strategies. Austerity is a much used term and has real implications for employment relations practice but these adjustments are more variable and differentiated at local level than is captured by the notion of “shocks” or an assumption of convergence on a dominant neo-liberal agenda.



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